

## An Overview of the Property Tax Extension Limitation Law by Referendum

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### What is the Property Tax Extension Limitation Law (PTELL)?

The PTELL is designed to limit the increases in property tax extensions (total taxes billed) for non-home rule taxing districts.

Although the law is commonly referred to as “tax caps,” use of this phrase can be misleading. The PTELL does not “cap” either individual property tax bills or individual property assessments. Instead, the PTELL allows a taxing district to receive a limited inflationary increase in tax extensions on existing property, plus an additional amount for new construction.

The limit slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation. As a whole, property owners have some protection from tax bills that increase only because the market value of their property is rising rapidly.

Payments for bonds issued without voter approval are subject to strict limitations.

If a taxing district determines that it needs more money than is allowed by the limitation, it can ask the voters to approve an increase.

The collar counties (DuPage, Kane, Lake, McHenry, and Will) became subject to the PTELL for the 1991 levy year for taxes paid in 1992; Cook County was added for the 1994 levy year for taxes paid in 1995. Public Act 89-510 allows county boards to give voters in all other counties the opportunity to decide if the PTELL should apply to their counties. In addition, Public Act 89-718 allows county boards of counties that are subject to the PTELL by referendum to give voters the opportunity to rescind the PTELL using the same referendum process.

Public Act 94-976 amended PTELL effective June 30, 2006. The significant amendments include:

- New supplemental ballot and election notice information.
- Additional taxing district voter-approved referenda and other referenda changes.
- Authority for taxing districts in some instances to exceed a voter-approved rate limit for a fund as long as the sum of all the rates for funds subject to PTELL, does not exceed the limiting rate.

### What is the “limitation”?

Increases in property tax extensions are limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. The limitation can be increased for a taxing body with voter approval.

The CPI used is for all urban consumers for all items as published by the United States Department of Labor. A CPI history of the limitation is available on our website at [tax.illinois.gov/LocalGovernment/PropertyTax/CPIhistory](http://tax.illinois.gov/LocalGovernment/PropertyTax/CPIhistory).

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## How is the PTELL question brought to a county referendum?

The county board (other than Cook and collar counties) decides to allow voters to choose if property tax extension increases should be limited. The county board can place the issue on the ballot at any election other than a consolidated primary election by passing an ordinance or resolution at least 79 days before the election.

Referenda made under the PTELL are exempt from the requirement that taxing districts may have only three public questions on a ballot.

The question is placed on a separate ballot and is worded as follows:

“Shall the Property Tax Extension Limitation Law (35 ILCS 200/18-185 through 18-245), which limits annual property tax extension increases, apply to non-home rule taxing districts with all or a portion of their equalized assessed valuation located in (name of county)?”

## What is the county clerk’s role?

Once a county board agrees to have a PTELL referendum, the county clerk has two major responsibilities. First, ensure the question is placed on the ballot either by doing so directly or by sending a certified copy of the resolution to the proper election authorities for them to place it on the ballot. Second, immediately after the referendum, the county clerk must notify all taxing districts located in the county and the Department of Revenue (IDOR) that the referendum was held and its result.

## How does the referendum affect individual taxing districts?

If the county referendum is approved by the voters, the PTELL applies to non-home rule taxing districts that are located entirely within the county.

A taxing district that overlaps two or more counties is treated differently. Two conditions must be met before the district becomes subject to the PTELL. First, all counties in which the taxing district is located must hold referenda. Second, a majority of the taxing district’s equalized assessed value must be located in counties where voters have approved the referenda. If these two conditions are met, the entire district becomes subject to the PTELL, even the portion in any county where voters rejected the referendum. After the final referendum is held, IDOR will notify

the district and the county clerks of all the counties in which the taxing district is located if the district is subject to the PTELL.

## Can the PTELL by referendum be rescinded?

Yes. The county board (other than Cook and collar counties) may again put the PTELL question to the voters using the same referendum process and ballot question that made the taxing districts subject to the PTELL.

If the voters reject the PTELL at this referendum, taxing districts located entirely within the county will no longer be subject to the PTELL.

A taxing district that overlaps two or more counties and that is subject to the PTELL by referendum will no longer be subject to the PTELL if two conditions are met.

- The question must be put on the ballot in each county in which the district overlaps unless the county’s voters rejected the most recent PTELL referendum.
- A majority of the taxing district’s equalized assessed value, other than equalized assessed value in Cook or collar counties, must be located in counties where voters have rejected the most recent PTELL referendum.

If these two conditions are met, the entire taxing district will no longer be subject to the PTELL, even the portion in any county where voters have approved this referendum. IDOR will then notify the district and the county clerks of all the counties in which the district is located that the district is no longer subject to the PTELL.

## When are levies affected by the PTELL referendum ?

For taxing districts located entirely within a county, the PTELL applies to levies made after January 1 of the year immediately following a voter-approved PTELL referendum. For example, if voters approve a referendum in November 2011, districts in the county will first be affected for the 2012 tax year, payable in 2013.

For taxing districts that overlap two or more counties, the PTELL applies to levies made after January 1 of the year immediately following the referendum that makes the district subject to the PTELL.

The PTELL does not apply to levies made after January 1 of the year immediately following a referendum that results in a taxing district no longer being subject to the PTELL.

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## **Does the PTELL guarantee that individual tax bills will increase no more than the limitation?**

No. The PTELL only limits increases in taxing districts' extensions. Individual tax bills may still increase or decrease. Some of the reasons tax bills could increase more than 5% or the CPI are below.

- The property is in a taxing district able to increase its extension by more than 5%, the CPI increase because it is a home rule municipality or an overlapping taxing district not subject to the PTELL.
- Voters approved an increase in tax rates or in the limitation.
- Voters approved a bond issue or an increase in the debt service extension base.
- New bonds were issued before the PTELL referendum.
- The property had been under-assessed in relation to other properties and is reassessed.
- The property had a homestead exemption or other exemption that was removed.
- The property has a greater share of the tax burden because the assessed value of other property was decreased.

## **Can the district receive more than a 5% or the CPI increase?**

Taxing districts are allowed additional increases for

- new construction,
- annexations to the district,
- voter-approved increases in the extension limit or limitation for one or more levy years,
- voter-approved increases in tax rates and voter-approved new tax rates for one or more levy years, and
- the Tax Increment Financing district (TIF) increment when the TIF expires.

## **Are there other restrictions on extensions in the PTELL?**

A taxing district subject to the PTELL may not levy for a fund it has never used unless it obtains voter approval.

A district may exceed a voter approved rate as long as it does not exceed a statutory prescribed maximum rate ceiling (that cannot be exceeded by referendum or otherwise). The sum of all rates still cannot exceed the referendum.

## **What is the impact of the limiting rate?**

The limiting rate is calculated, for each taxing district, by the county clerk to implement PTELL. The sum of a district's rates extended for those funds subject to the PTELL cannot exceed this limiting rate. After calculating preliminary rates for the funds, the county clerk will compare the sum of these rates to the limiting rate. If this sum exceeds the limiting rate, the county clerk will reduce each rate proportionally, unless instructed by a taxing district to reduce them in a different way.

## **What is the aggregate extension?**

The aggregate extension is that portion of a taxing district's total extension that is subject to the limitation. The funds included in the aggregate extension are the annual corporate extension for the taxing district and those special purpose extensions made annually. Some examples of extensions included in the aggregate extension are those for self-insurance, pension plans, unemployment and workers' compensation, and, whether levied annually or not, road district permanent road funds.

## **What extensions are not included in the aggregate extension?**

Some examples of extensions that are not included in the aggregate extension and, therefore, not limited are those for

- general obligation bonds issued prior to the referendum that made the taxing district subject to the PTELL.
- bonds issued to refund or to continue to refund bonds that were issued before the PTELL referendum.
- general obligation bonds issued after the PTELL referendum, if approved by the voters.
- bonds issued to refund or to continue to refund voter-approved general obligation bonds.
- alternate bonds, sometimes called "double barreled bonds," issued under Section 15 of the Local Government Debt Reform Act.
- limited bonds, to the extent the payments do not exceed the debt service extension base, minus certain offsetting amounts.
- building commission leases used to retire bonds issued by the commission before the PTELL referendum.

See Section 18-185 of the Property Tax Code for a list of aggregate extension funds exempt from PTELL.

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## How is the aggregate extension base used under the PTELL?

The aggregate extension base is used in calculating any increase allowed. For most taxing districts, the aggregate extension base is the previous year's aggregate extension. There are, however, some exceptions.

If a district reduced its aggregate extension in the prior year, the highest of the previous three years' aggregate extensions may be used as the aggregate extension base.

If districts merge or consolidate, the aggregate extensions of the consolidating districts are added.

If a taxing district transfers a service to another district, the part of the aggregate extension base used to provide revenues for that service is transferred to the district taking over the service.

If a new district is formed that does not have an aggregate extension base, or if a district does not have an aggregate extension base because it has never levied for the funds subject to the PTELL, then the voters must approve the aggregate extension by referendum before it levies for the first time. This question may be placed on a ballot at the same election as the referendum creating the new district.

## Are there other provisions for bonds under the PTELL?

A referendum can be held for any bonds under Section 18-190 of the Property Tax Code.

Other bonds can be issued using the debt service extension base provision. This provision allows county clerks to continue to extend taxes for a taxing district's non-referendum bonds at the same level as for the levy year in which the referendum was held that made the district subject to the PTELL. When issuing new bonds that will be financed using this provision, the district must label them "limited bonds" under Section 15.01 of the Local Government Debt Reform Act.

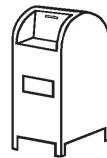
The debt service extension base can be increased by referendum.

## Are TIFs subject to the PTELL?

TIFs are not taxing districts and are not directly subject to the PTELL, but the amount of property tax raised from the TIF increment may be reduced because the PTELL may lower the tax rate.

## Do you need additional information?

A more detailed publication, The Property Tax Extension Limitation Law Technical Manual and Summary of "PTELL Changes" under Public Act 94-976, are available online from IDOR. You may also wish to consult your taxing district's legal counsel, your county state's attorney, or write or call us at the address and telephone number below.



**OFFICE OF LOCAL GOVERNMENT SERVICES  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19033  
SPRINGFIELD IL 62794-9033**

**217 782-3627**

**[tax.illinois.gov](http://tax.illinois.gov)**